

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2019

Docket No. ACR2019

CHAIRMAN'S INFORMATION REQUEST NO. 4
AND NOTICE OF FILING UNDER SEAL

(Issued January 17, 2020)

To clarify the basis of information provided by the Postal Service in its FY 2019 Annual Compliance Report (ACR), filed December 27, 2019,¹ the Postal Service is requested to provide written responses to the following requests. Answers should be provided to individual requests as soon as they are developed, but no later than January 24, 2020.

Competitive Domestic Products

1. Please identify all negotiated service agreements (NSAs) where the Postal Service did not rely on actual piece-level weight and zone data to calculate cost coverage. For each such NSA, please identify the payment method(s) used to collect revenue under that NSA and whether the failure to collect actual piece-level weight and zone data is a technical limitation of the payment method(s) used. For each NSA where the failure to collect actual piece-level weight and zone data is not a result of technical limitations of the payment methods used, please identify the specific contractual or operational provisions that prevented the Postal Service from collecting actual piece-level weight and zone data.

¹ United States Postal Service FY 2019 Annual Compliance Report, December 27, 2019 (FY 2019 ACR).

2. Please explain whether actual weight and zone data will be collected for all packages via the Package Platform system once it is fully deployed. Please also specify the expected date by which the Package Platform system will be fully deployed.
3. Please provide the sampling data required to be filed with the Annual Compliance Report as specified by Order Nos. 4964 and 4974.²
4. Please provide revenue, volume, weight, volume variables costs, and attributable costs data for the following 128 Competitive domestic NSA products, as filed for other Competitive domestic NSA products in Library Reference USPS-FY19-NP27, December 27, 2019. If the data are not available, please explain.

² See Docket Nos. MC2019-62 and CP2019-67, Order Adding Parcel Return Service Contract 11 to the Competitive Product List, January 3, 2019, at 7 (Order No. 4964); Docket Nos. MC2019-64 and CP2019-69, Order Adding Parcel Select & Parcel Return Service Contract 7 to the Competitive Product List, January 8, 2019, at 7 (Order No. 4974).

Contract	MC Docket	CP Docket	Expiration Date
First-Class Package Service Contract 42	MC2016-74	CP2016-91	January 16, 2019
First-Class Package Service Contract 46	MC2016-103	CP2016-131	March 30, 2019
First-Class Package Service Contract 48	MC2016-111	CP2016-139	April 7, 2019
First-Class Package Service Contract 50	MC2016-117	CP2016-148	April 12, 2019
First-Class Package Service Contract 57	MC2016-155	CP2016-218	June 29, 2019
First-Class Package Service Contract 59	MC2016-171	CP2016-249	August 2, 2019
First-Class Package Service Contract 62	MC2016-197	CP2016-281	September 26, 2019
First-Class Package Service Contract 65	MC2017-14	CP2017-30	November 7, 2019
First-Class Package Service Contract 71	MC2017-62	CP2017-90	January 5, 2020
First-Class Package Service Contract 72	MC2017-72	CP2017-98	January 8, 2020
First-Class Package Service Contract 73	MC2017-89	CP2017-118	February 15, 2020
First-Class Package Service Contract 76	MC2017-117	CP2017-168	April 26, 2020
First-Class Package Service Contract 81	MC2017-203	CP2017-310	September 24, 2020
Parcel Select Contract 12	MC2016-37	CP2016-46	January 1, 2019
Parcel Select Contract 14	MC2016-102	CP2016-130	March 31, 2019
Parcel Select Contract 16	MC2016-147	CP2016-184	June 7, 2019
Parcel Select Contract 19	MC2017-66	CP2017-94	January 5, 2020
Parcel Select Contract 26	MC2018-44	CP2018-74	December 11, 2020
Parcel Select Contract 28	MC2018-72	CP2018-112	January 2, 2021
Priority Mail & First-Class Package Service Contract 8	MC2016-34	CP2016-40	December 23, 2018
Priority Mail & First-Class Package Service Contract 10	MC2016-58	CP2016-73	January 7, 2019
Priority Mail & First-Class Package Service Contract 11	MC2016-62	CP2016-77	January 7, 2019
Priority Mail & First-Class Package Service Contract 16	MC2016-105	CP2016-133	March 31, 2019
Priority Mail & First-Class Package Service Contract 18	MC2016-129	CP2016-163	May 11, 2019
Priority Mail & First-Class Package Service Contract 21	MC2016-165	CP2016-239	July 20, 2019
Priority Mail & First-Class Package Service Contract 25	MC2016-174	CP2016-253	August 31, 2019
Priority Mail & First-Class Package Service Contract 26	MC2016-177	CP2016-256	August 24, 2019
Priority Mail & First-Class Package Service Contract 27	MC2016-183	CP2016-263	August 28, 2019

Priority Mail & First-Class Package Service Contract 28	MC2016-184	CP2016-264	August 28, 2019
Priority Mail & First-Class Package Service Contract 29	MC2016-188	CP2016-271	September 15, 2019
Priority Mail & First-Class Package Service Contract 30	MC2016-189	CP2016-272	September 15, 2019
Priority Mail & First-Class Package Service Contract 37	MC2017-25	CP2017-45	December 6, 2019
Priority Mail & First-Class Package Service Contract 39	MC2017-36	CP2017-61	December 15, 2019
Priority Mail & First-Class Package Service Contract 44	MC2017-145	CP2017-204	June 14, 2020
Priority Mail & First-Class Package Service Contract 47	MC2017-154	CP2017-218	June 21, 2020
Priority Mail & First-Class Package Service Contract 51	MC2017-173	CP2017-274	August 15, 2020
Priority Mail & First-Class Package Service Contract 63	MC2018-37	CP2018-67	December 6, 2020
Priority Mail & First-Class Package Service Contract 75	MC2018-124	CP2018-169	January 15, 2021
Priority Mail & First-Class Package Service Contract 76	MC2018-127	CP2018-173	February 25, 2021
Priority Mail & Parcel Select Contract 1	MC2016-113	CP2016-141	April 11, 2019
Priority Mail & Parcel Select Contract 2	MC2017-13	CP2017-29	November 6, 2019
Priority Mail Contract 133	MC2015-67	CP2015-98	October 18, 2018
Priority Mail Contract 136	MC2015-72	CP2015-110	November 8, 2018
Priority Mail Contract 149	MC2016-8	CP2016-10	November 2, 2018
Priority Mail Contract 155	MC2016-19	CP2016-25	December 8, 2018
Priority Mail Contract 156	MC2016-22	CP2016-28	December 16, 2018
Priority Mail Contract 158	MC2016-24	CP2016-30	December 16, 2018
Priority Mail Contract 159	MC2016-25	CP2016-31	December 16, 2018
Priority Mail Contract 160	MC2016-29	CP2016-35	December 20, 2018
Priority Mail Contract 161	MC2016-30	CP2016-36	December 22, 2018
Priority Mail Contract 167	MC2016-41	CP2016-50	February 16, 2019
Priority Mail Contract 170	MC2016-47	CP2016-62	January 6, 2019
Priority Mail Contract 171	MC2016-48	CP2016-63	January 6, 2019
Priority Mail Contract 172	MC2016-49	CP2016-64	January 11, 2019
Priority Mail Contract 174	MC2106-52	CP2016-67	February 16, 2019
Priority Mail Contract 178	MC2016-60	CP2016-75	January 7, 2019
Priority Mail Contract 179	MC2016-63	CP2016-78	January 7, 2019
Priority Mail Contract 180	MC2016-64	CP2016-79	January 7, 2019
Priority Mail Contract 189	MC2016-83	CP2016-108	March 9, 2019
Priority Mail Contract 191	MC2016-85	CP2016-110	March 9, 2019
Priority Mail Contract 194	MC2016-91	CP2016-116	March 16, 2019

Priority Mail Contract 196	MC2016-95	CP2016-120	March 23, 2019
Priority Mail Contract 198	MC2016-99	CP2016-127	March 30, 2019
Priority Mail Contract 204	MC2016-114	CP2016-145	April 12, 2019
Priority Mail Contract 211	MC2016-126	CP2016-160	May 11, 2019
Priority Mail Contract 217	MC2016-134	CP2016-171	June 5, 2019
Priority Mail Contract 218	MC2016-135	CP2016-172	June 5, 2019
Priority Mail Contract 220	MC2016-143	CP2016-180	June 7, 2019
Priority Mail Contract 229	MC2016-159	CP2016-230	July 10, 2019
Priority Mail Contract 232	MC2016-178	CP2016-257	August 25, 2019
Priority Mail Contract 233	MC2016-179	CP2016-258	August 24, 2019
Priority Mail Contract 235	MC2016-190	CP2016-273	September 15, 2019
Priority Mail Contract 238	MC2016-193	CP2016-276	September 21, 2019
Priority Mail Contract 239	MC2016-199	CP2016-283	September 26, 2019
Priority Mail Contract 242	MC2016-203	CP2016-292	October 5, 2019
Priority Mail Contract 251	MC2017-9	CP2017-24	October 18, 2019
Priority Mail Contract 252	MC2017-10	CP2017-25	November 6, 2019
Priority Mail Contract 253	MC2017-11	CP2017-26	November 6, 2019
Priority Mail Contract 254	MC2017-15	CP2017-31	November 16, 2019
Priority Mail Contract 259	MC2017-26	CP2017-51	December 6, 2019
Priority Mail Contract 261	MC2017-28	CP2017-53	December 14, 2019
Priority Mail Contract 264	MC2017-31	CP2017-56	December 14, 2019
Priority Mail Contract 265	MC2017-32	CP2017-57	December 15, 2019
Priority Mail Contract 266	MC2017-41	CP2017-66	December 21, 2019
Priority Mail Contract 267	MC2017-42	CP2017-67	December 26, 2019
Priority Mail Contract 281	MC2017-61	CP2017-89	December 26, 2019
Priority Mail Contract 287	MC2017-77	CP2017-104	January 10, 2020
Priority Mail Contract 290	MC2017-84	CP2017-113	January 31, 2020
Priority Mail Contract 293	MC2017-87	CP2017-116	February 15, 2020
Priority Mail Contract 297	MC2017-95	CP2017-135	February 15, 2020
Priority Mail Contract 303	MC2017-104	CP2017-151	March 29, 2020

Priority Mail Contract 308	MC2017-115	CP2017-166	April 6, 2020
Priority Mail Contract 313	MC2017-122	CP2017-173	April 26, 2020
Priority Mail Contract 314	MC2017-124	CP2017-176	May 7, 2020
Priority Mail Contract 316	MC2017-128	CP2017-181	May 10, 2020
Priority Mail Contract 321	MC2017-136	CP2017-194	May 24, 2020
Priority Mail Contract 322	MC2017-137	CP2017-195	June 1, 2020
Priority Mail Contract 325	MC2017-140	CP2017-199	June 1, 2020
Priority Mail Contract 338	MC2017-166	CP2017-246	July 16, 2020
Priority Mail Contract 352	MC2017-188	CP2017-289	August 30, 2020
Priority Mail Contract 354	MC2017-196	CP2017-297	September 20, 2020
Priority Mail Contract 370	MC2018-9	CP2018-16	September 27, 2020
Priority Mail Contract 375	MC2018-26	CP2018-51	November 6, 2020
Priority Mail Contract 377	MC2018-32	CP2018-62	January 4, 2021
Priority Mail Contract 399	MC2018-70	CP2018-110	December 20, 2020
Priority Mail Contract 408	MC2018-103	CP2018-145	January 3, 2021
Priority Mail Contract 422	MC2018-126	CP2018-172	January 31, 2021
Priority Mail Express & Priority Mail Contract 3	MC2016-186	CP2016-267	September 11, 2019
Priority Mail Express & Priority Mail Contract 23	MC2016-26	CP2016-32	December 16, 2018
Priority Mail Express & Priority Mail Contract 31	MC2016-182	CP2016-262	August 28, 2019
Priority Mail Express & Priority Mail Contract 34	MC2016-187	CP2016-268	September 12, 2019
Priority Mail Express & Priority Mail Contract 38	MC2017-38	CP2017-63	December 21, 2019
Priority Mail Express & Priority Mail Contract 42	MC2017-73	CP2017-100	January 9, 2020
Priority Mail Express & Priority Mail Contract 47	MC2017-123	CP2017-174	May 7, 2020
Priority Mail Express & Priority Mail Contract 53	MC2018-33	CP2018-63	November 30, 2020
Priority Mail Express & Priority Mail Contract 54	MC2018-49	CP2018-80	December 18, 2020
Priority Mail Express Contract 31	MC2016-61	CP2016-76	January 7, 2019
Priority Mail Express Contract 36	MC2016-175	CP2016-175	June 6, 2019
Priority Mail Express Contract 40	MC2016-169	CP2016-247	August 2, 2019

Priority Mail Express Contract 41	MC2016-180	CP2016-259	August 24, 2019
Priority Mail Express Contract 51	MC2018-10	CP2018-17	October 26, 2020
Priority Mail Express Contract 52	MC2018-16	CP2018-32	October 26, 2020
Priority Mail Express, Priority Mail & First-Class Package Service Contract 9	MC2016-78	CP2016-103	February 28, 2019
Priority Mail Express, Priority Mail & First-Class Package Service Contract 11	MC2017-4	CP2017-4	October 11, 2019
Priority Mail Express, Priority Mail & First-Class Package Service Contract 13	MC2017-22	CP2017-42	November 16, 2019
Priority Mail Express, Priority Mail & First-Class Package Service Contract 18	MC2017-131	CP2017-185	May 16, 2020
Priority Mail Express, Priority Mail & First-Class Package Service Contract 19	MC2017-132	CP2017-187	May 21, 2020
Priority Mail Express, Priority Mail & First-Class Package Service Contract 37	MC2018-154	CP2019-223	March 7, 2021

Competitive International Products

5. The Postal Service states that 21 international contracts did not cover their attributable costs and that “almost all of them have expired or are about to expire.” FY 2019 ACR at 68. Please identify these contracts and their expiration dates.
6. The Postal Service states that it is “reviewing the applicable data” for the Inbound Air Parcel Post at non-UPU Rates product. *Id.* at 67-68. Please provide an update on the status of this review and any new information that this review has produced. If the review has not been completed, please identify a timeline for this review.
7. Please see Attachment, filed under seal.
8. Please see Attachment, filed under seal.

Costing Methodologies

9. The Postal Service states that “a shift among parcels costs resulted from new shape-based data collection procedures.” *Id.*
 - a. Please confirm that the new shape-based data collection procedures referred to above affect all of the Postal Service’s products with parcel-shaped pieces.

- i. If confirmed, please list all products with costs affected by the new shape-based data collection procedures. Please specify the cost segments affected by the new shape-based data collection procedures.
 - ii. If not confirmed, please specify products with costs affected by the new shape-based data collection procedures. Please specify the cost segments affected by the new shape-based data collection procedures.
- b. Please provide any training materials and policy memos that detail how the data collection procedures changed.
- c. If applicable, please specify completely any In-Office Costing System (IOCS) Statistical Analysis System (SAS) programming changes related to the new shape-based data collection procedures.
- d. If applicable, please specify completely any IOCS data collector questions and options that were modified related to the new shape-based data collection procedures.
- e. If applicable, please specify completely any IOCS-related workbook formula changes and the workbook tabs if modifications were made related to the new shape-based data collection procedures.

Flat-Shaped Mail

- 10. Please refer to Library Reference USPS-FY19-45, December 27, 2019, file “Part B Narratives.pdf,” at 11, where the Postal Service states “minimizing costs (including workhours) in manual processing remains a challenge.” Please explain the challenges involved in reducing manual processing costs in FY 2019.
- 11. Please refer to Library Reference USPS-FY19-45, file “Paragraph (f) Report.pdf,” at 13, where the Postal Service describes the Mailer Irregularity Application. This Application identifies mailers who have entered mail with irregularities, and

provides mailers with access to their data via their mailer scorecard. Please provide the impact of this program on bundle breakage during its pilot period.

12. Please refer to Library Reference USPS-FY19-45, file “Paragraph (b) Financial Report,” file “Section b Data,” Excel file “FY19.Rule.3050.50.Para.B.xlsx,” tab “Item b7-b,” which shows the percentages of flat-shaped mail that receive manual processing and the percentage of flat-shaped mail that receive automation prices. The data show that 15 percent of USPS Marketing Mail Flats are sorted manually, but 96 percent pay automation prices.³ In addition, the data show that 14 percent of First-Class Mail Flats Presort are sorted manually, but 98 percent pay automation prices.⁴
 - a. Please explain what specific efforts the Postal Service is taking to ensure that automation pieces are not being sorted manually.
 - b. Please explain what specific efforts the Postal Service is taking to ensure that mail that must be processed manually is paying the appropriate price.
 - c. Does the Postal Service have a specific goal for FY 2020 to reduce the percentage of mail that pays automation prices, but receive manual processing? If so, please provide that goal.
13. Please refer to Library Reference USPS-FY19-45, file “Paragraph (d) Operational Cost,” file “Data,” Excel file “FY19.Rule.3050.50.Para.D.xlsx.” Please provide a revised analysis that incorporates a per-piece or unit cost by operationally relevant grouping analysis. If a per-piece or unit cost analysis is not available, please explain the obstacles in providing the analysis.
14. Please refer to Library Reference USPS-FY19-45, file “Paragraph (f) Report.pdf.”

³ See Library Reference USPS-FY19-45, file “Paragraph (b) Financial Report,” file “Section b Data,” Excel file “FY19.Rule.3050.50.Para.B.xlsx,” tab “Item b7-b,” cells I21 and G52.

⁴ See Library Reference USPS-FY19-45, file “Paragraph (b) Financial Report,” file “Section b Data,” Excel file “FY19.Rule.3050.50.Para.B.xlsx,” tab “Item b7-b,” cells I33 and G53.

- a. Please explain when and why the Flats Sequencing System (FSS) Scorecard was retired. *Id.* at 3.
 - b. Please provide the throughput per hour of the FSS in FY 2018 and FY 2019.
 - c. Please provide the nationwide finalization rate on the FSS in FY 2019. *Id.* at 5.
 - d. Please provide the FSS “mail pieces at risk” percentage for FY 2019.
 - e. Please provide the increase in FSS volumes due to the FSS Delivery Point Compression (DPC) initiative. *Id.* at 6.
 - f. Please provide the increase in throughput that resulted from the DPC initiative. *Id.*
 - g. Please explain the outcome of the Automated Flats Sorting Machine (AFSM) Certification process. *Id.* at 9. Specifically, please provide the percentage of plants that failed to achieve and maintain target level performance under the six identified metrics. In addition, please explain the steps the Postal Service took if a plant failed the AFSM Certification process.
15. In the FY 2018 Annual Compliance Determination, the Commission explained that it “anticipates that the data reporting will lead to the development of measurable goals to decrease the costs and improve the service of flats.”⁵ For each nation-wide category listed below, please provide any FY 2020 goals developed by the Postal Service, what operational initiatives will enable the Postal Service to achieve that goal, and the likelihood that the goal will be achieved. If the Postal Service has not developed a goal, please explain why the development of a goal was not necessary.

⁵ Docket No. ACR2018, Annual Compliance Determination Report, Fiscal Year 2018, April 12, 2019, at 223.

- a. FSS DPS percentage;
- b. Manual sorting percentage;
- c. Bundle breakage;
- d. AFSM 100 productivity;
- e. Work in Process (WIP) metrics;
- f. First-Class Mail Root Cause Point impact;
- g. On-time departure percentage;
- h. On-time arrival percentage;
- i. Space utilization by container type;
- j. Average load percentage; and
- k. Last mile impact.

Inbound Letter Post

16. The Postal Service previously identified specific steps it is taking to avoid remail through Group IV countries.⁶ These include monitoring inbound volumes to detect remail and cross-functional collaboration to “identify, mitigate, communicate, and, if necessary, hold and invoice for the remail from the dispatching country.” Docket No. CP2019-155, Response to CHIR No. 1, question 4. Furthermore, the Postal Service states that it “sends notices to origin postal operators with options, charges, rate calculations, and deadlines to the respective foreign postal operators.” *Id.*
- a. Please identify the countries from which the Postal Service detected and invoiced for remail in FY 2018 and FY 2019 as a result of these steps.

⁶ Docket No. CP2019-155, Responses of the United States Postal Service to Questions 1-10 of Chairman’s Information Request No. 1, June 7, 2019, question 4 (Docket No. CP2019-155, Response to CHIR No.1).

- b. Please provide the amount of additional revenue from remail for which the Postal Service invoiced in FY 2018 and FY 2019 as a result of these steps.
17. Please see Attachment, filed under seal.
18. Please see Attachment, filed under seal.

Rural Carrier Costing System

19. Please refer to Library Reference USPS-FY19-40, Preface.⁷ The Postal Service states that “[t]he [Rural Mail Count (RMC)] database contains the most recent evaluation for each rural route. The March 2018 dataset has 75,177 records. Each record represents an active rural route and it includes the type of route....” *Id.* at 2. The RMC dataset contains the variable “RTTYPE” and it is used to group evaluated and other rural routes.⁸ In a United States Postal Service Office of Inspector General Audit Report, it explains that on “H routes - carrier works 6 days a week; J routes - carrier has a relief day every other week; K routes - carrier has a relief day every week; auxiliary routes - carrier works 6 days a week, normally evaluated at less than 39 hours per week; mileage routes - carrier salary is based on the length of the route as determined by the official measurement; and high-density L routes - carrier has a density of 12 boxes or more per mile, as verified by a mail count.”⁹
- a. Please confirm that in the RMC dataset, route evaluations with a route type “K” in the “RTTYPE” variable, the weekly data were counted for 5 days of each week (for the number of weeks identified in the “CNTLEN”

⁷ Library Reference USPS-FY19-40, December 27, 2019, file “USPS-FY19-40.Preface.pdf” (Preface).

⁸ *Id.* at 3-5. The SAS log shows the code for route types used to group evaluated and other rural routes, specifically: “IF RTTYPE = 'H' OR RTTYPE = 'J' OR RTTYPE = 'K' THEN TYPE = 'EVAL;’” “ELSE IF RTTYPE = 'A' OR RTTYPE = 'M' THEN TYPE = 'OTHR.’” *Id.* at 5.

⁹ Office of Inspector General United States Postal Service, *Rural Delivery Operations – Mail Count and Timekeeping Processes*, Audit Report Number DR-AR-14-001, December 13, 2013, at 1 n.3, available at: <https://www.uspsaig.gov/sites/default/files/document-library-files/2015/dr-ar-14-001.pdf>.

- variable). If not confirmed, please explain how many days in each week, weekly data were counted for the route type identified as “K” in the RMC dataset.
- b. Please confirm that in the RMC dataset, route evaluations with route types “H” and “A” in the “RTTYPE” variable, the weekly data were counted for 6 days of each week (for the number of weeks identified in the “CNTLEN” variable). If not confirmed, please explain how many days in each week, weekly data were counted for route types identified as “H” and “A” in the RMC dataset.
 - c. Please confirm that in the RMC dataset, route evaluations with a route type “J” in the “RTTYPE” variable, the weekly data were counted for 5 days for one week and 6 days in the second week (for the number of weeks identified in the “CNTLEN” variable). If not confirmed, please explain how many days in each week, weekly data were counted for the route type identified as “J” in the RMC dataset.
 - d. Please confirm that the “RTTYPE” value of “M” is not found in the 2018 March RMC dataset, and please explain the reason(s) why. If mileage routes are included in the 2018 March RMC dataset, please specify how they can be identified and how many days of the week the route is evaluated. If not evaluated or included in the 2018 March RMC dataset, please explain the reason(s) why.
 - e. For routes that are designated as a high density route in the RMC SAS code,¹⁰ please specify how many days in each week (for the number of weeks identified in the “CNTLEN” variable) the count is conducted.
20. For each rural route type, please identify completely the determining factors that distinguish the designation of the route type.

¹⁰ These appear to be identified by using the “LSTATUS” variable in the RMC dataset. See Library Reference USPS-FY19-40, Preface, at 6, SAS log lines 144-148.

21. The Rural Carrier Cost System (RCCS) SAS dataset shows that in FY 2019 Quarter 4, there were 79,088 rural routes.¹¹ This is a difference of 3,911 routes since the last RMC count was conducted in March 2018.¹² Please explain the reason(s) for the difference.
22. For new rural routes activated since the March 2018 RMC was conducted, please describe the types of routes, how the type is determined, and the number in each type of rural route. If this information is unknown, incomplete or unavailable, please explain the reasons why and the process and schedule for when and how new routes are evaluated or determined.
23. For each rural route type, please specify the type or type(s) of rural carriers that typically service the route for all and on some days of the week.
24. The RMC dataset contains the variables “TOTHRs” and “ACTLHRS.”¹³
 - a. Please explain the difference between these two variables.
 - b. Please explain the reason(s) why a route’s “ACTLHRS” total is higher than the total shown in the “TOTHRs” variable for the route.¹⁴
 - c. Please confirm that the values in the “ACTLHRS” and “TOTHRs” variables are the sum of the entire route evaluation period (which can span over several weeks).¹⁵
25. Please provide the instructions, forms and any training materials for conducting the most recent Rural Mail Count.

¹¹ Commission analysis of the “MASTER” variable in the RCCS SAS dataset provided in Library Reference USPS-FY19-35, December 27, 2019, SAS dataset “rccs_z_acr_public_fy19_final.sas7bdat.”

¹² Library Reference USPS-FY19-40, Preface, at 2.

¹³ *Id.* at 4, SAS log lines 77 and 79.

¹⁴ Commission analysis of the March 2018 RMC dataset provided in Library Reference USPS-FY19-40, folder “USPS-FY19-40_Rural_MC.Files,” data “FY2018.March.RMCFlat.DATA.”

¹⁵ The Postal Service uses the value in the “CNTLEN” variable to develop weekly values. See Library Reference USPS-FY19-40, Preface, at 5-6, SAS log lines 112-136.

Service Performance

26. Please refer to the description of the Internal Service Performance Measurement (SPM) system's measurement approach for delivery service between the Gateway cities and less populous/more remote areas of the Alaska, Caribbean, and Honolulu districts appearing in Library Reference USPS-FY19-29, December 27, 2019, file "FY19-29 Offshore Special Study.pdf," at 1-2. Please confirm that this measurement approach is subject to the external auditing program for Internal SPM system.¹⁶ If confirmed, please identify all audit measures relevant to the subject matter of the special study required by 39 C.F.R. § 3055.7. If not confirmed, please explain.
27. Please refer to the description of the use of the 1-percent threshold to identify statistically significant differences of delivery service between the Gateway cities and less populous/more remote areas of the Alaska, Caribbean, and Honolulu districts appearing in Library Reference USPS-FY19-29, file "FY19-29 Offshore Special Study.pdf," at 6.
- a. Please explain how this threshold differs from the margin of error approach, which is currently under development in the Internal SPM system.
 - b. Please identify the expected timeframe for implementing the planned change to the margin of error approach in future analysis.
28. The Postal Service describes the deployment of service improvement teams in FY 2019 to "work[] with local plant personnel to physically connect the failure data with the [breakdown in] process." Library Reference USPS-FY19-29, file "FY19-29 Service Performance Report.pdf," at 7. Please provide a narrative response explaining how the Postal Service ensures that local sites adhere to this training and instruction post-deployment. In the response, please provide

¹⁶ See, e.g., United States Postal Service, Transmittal letter for FY 2019 Q4 Audit Report, Audit Response, and Measured/Unmeasured Volumes Report, November 26, 2019, file "FY19 Q4 Audit Valid.pdf."

examples of any best practices and/or lessons learned that drive correction or abatement of failures, if applicable.

29. The Postal Service states that headquarters personnel began using the “Grid” initiative in FY 2019, which is a “visualization timeline used to indicate where plants are experiencing delays in mail processing.” *Id.* Please provide a narrative response explaining how the Postal Service ensures that local sites take action to correct or abate delays identified using the Grid. In the response, please provide examples of any best practices and/or lessons learned that drive adherence to processing schedules, if applicable.
30. Please refer to Library Reference USPS-FY19-29, Excel file “FY19 ACR FCM Q1-2-4-5 EOY.xlsx,” tab “Q4.”
 - a. Please detail any changes to the measurement of critically late trips (CLTs) between FY 2018¹⁷ and FY 2019.
 - b. Please confirm that the description provided in Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-19 of Chairman’s Information Request No. 2, January 17, 2018, question 7.b.iii remains accurate and reflects the practice used in FY 2019. If not confirmed, please explain and provide any applicable updated description.
 - c. Please explain the reason(s) why the number of CLTs reported for FY 2019 increased from the number of CLTs reported for FY 2018 and FY 2017.
31. Please refer to Library Reference USPS-FY19-29, Excel file “FY19 ACR FCM Q1-2-4-5 EOY.xlsx,” tab “Q5.”

¹⁷ See Docket No. ACR2018, Library Reference USPS-FY18-29, December 28, 2018, Excel file “ACD.FCM.FY18Q3Q4.public - v01.xlsx,” tab “Q4c.”

- a. Please detail any changes to the measurement of each of the national operating plan targets (also referred to as the 24-Hour Clock national clearance goals) between FY 2018¹⁸ and FY 2019.
 - b. Please confirm that each response provided in Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-15, 17-50 of Chairman's Information Request No. 1, January 11, 2019, question 47.a through 47.h (Docket No. ACR2018, Response to CHIR No. 1) remains accurate and reflects the definitions applied in FY 2019. If not confirmed, please explain and provide any applicable updated definitions.
32. Please refer to the discussion of the need for delivery units to comprehend the differences between reporting mail as delayed, late, or curtailed appearing in Library Reference USPS-FY19-29, file "Southern Service Report FINAL.pdf," at 7.
- a. Please define each of these reporting classifications.
 - b. Please explain how any differences between these reporting classifications (and misclassification) affect service performance reporting and analysis.
33. Please refer to the discussion of the "Vital Few" locations appearing in Library Reference USPS-FY19-29, file "Southern Service Report FINAL.pdf," at 8-9.
- a. Please identify the "Vital Few" locations for each of the top five indicators in FY 2019.
 - b. Please specify the criteria for being classified as a "Vital Few" location including all measurements and data in support of this analysis.
 - c. Please specify whether this classification of "Vital Few" is generally applicable to all types of mail or specific to any particular categories of

¹⁸ See Docket No. ACR2018, Library Reference USPS-FY18-29, Excel file "ACD.FCM.FY18Q3Q4.public - v01.xlsx," tab "Q1a."

mail such as class(es), product(s), shape(s), presorted or single-piece, and/or origin or destination entry.

34. Please refer to the discussion of “the identification of ten vital pairs that had the greatest impact on the national-level service performance” for First-Class Mail with a 3-5-Day service standard appearing in Library Reference USPS-FY19-29, file “Eastern Service Report FINAL.pdf,” at 4.
- a. Please identify the ten vital pairs identified for FY 2019.
 - b. Please specify the criteria for being classified as a “vital pair” including all measurements and data in support of this analysis.
 - c. Please provide a narrative response explaining how the Postal Service ensures that a “vital pair” maintains the sustained performance at target levels after being removed from the exercise. In the response, please provide examples of any best practices and/or lessons learned that drive correction or abatement of failures, if applicable.
35. Please refer to Library Reference USPS-FY19-29, Excel file “FY19 Marketing Mail Root Cause.xlsx,” tab “Marketing – Root Causes.” Please provide the data for FY 2019 disaggregated by induction type, as presented in Docket No. ACR2018, Response to CHIR No. 1, question 33, Excel file “ChIR.1.Multiple.Responses.xlsx,” tab “Q33_MKT,” column D (e.g., “DEST,” “DNDC,” “DSCF,” and “ORIG.”).

USPS Marketing Mail

36. The Postal Service reports that the FY 2019 cost coverage for USPS Marketing Mail Carrier Route fell to 99.7 percent. FY 2019 ACR at 14. It attributes this declining cost coverage to mail moving to lower price categories, an increasing percentage of nonprofit mail, and higher mail processing and delivery costs. *Id.* at 15-16. Please provide a plan to improve the cost coverage of Carrier Route to a compensatory level in FY 2020. The plan should detail all specific plans to

reduce Carrier Route attributable costs, as well as a pricing strategy to ensure adequate revenues for the product to cover its attributable costs in FY 2020.

37. In Docket No. R2020-1, the Postal Service proposed, and the Commission approved, a price increase of 1.129 percent for USPS Marketing Mail Carrier Route.¹⁹ Please estimate the impact of the proposed price increase on FY 2020 volume, revenue, cost, and contribution for USPS Marketing Mail Carrier Route. The estimate should use the most recent elasticities provided by the Postal Service to the Commission²⁰ and support any additional assumptions.
38. In Docket No. R2020-1, the Postal Service proposed, and the Commission approved, a 3.893-percent price increase for USPS Marketing Mail Flats. Order No. 5321 at 9. Please estimate the impact of the proposed price increase on FY 2020 volume, revenue, cost, and contribution for USPS Marketing Mail Flats. The estimate should use the most recent elasticities provided by the Postal Service in the FY 2018 Demand Analysis and support any additional assumptions.
39. In Docket No. R2020-1, the Postal Service proposed, and the Commission approved, a 3.913-percent price increase for USPS Marketing Mail Parcels. Order No. 5321 at 9. Please estimate the impact of the proposed price increase on FY 2020 volume, revenue, cost, and contribution for USPS Marketing Parcels. The estimate should use the most recent elasticities provided by the Postal Service in the FY 2018 Demand Analysis and support any additional assumptions.
40. In the FY 2018 ACR, the Postal Service indicated that it was evaluating “combining Flats, Carrier Route Flats, and High Density Flats into a single

¹⁹ Docket No. R2020-1, Order on Price Adjustments For USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, November 22, 2019, at 9 (Order No. 5321).

²⁰ See Postal Service Econometric Estimates of Demand Elasticity for All Postal Products, FY 2018, January 28, 2019 (FY 2018 Demand Analysis).

NonSaturation Flats product.”²¹ Please provide the status of that evaluation and identify any action(s) taken as a result of that evaluation.

41. Please explain whether the prices approved in Docket No. R2020-1 improved the pricing efficiency within the USPS Marketing Mail Flats, Parcels, and Carrier Route products. The explanation should include a discussion of the Postal Service’s intentions to improve price signals, such as price differentials or workshare discounts within the products, in order to move mail to lower-cost mail preparation and/or better align discounts with avoided costs.

By the Chairman.

Robert G. Taub

²¹ Docket No. ACR2018, United States Postal Service FY 2018 Annual Compliance Report, December 28, 2018, at 18.